ANZ Research

NZ Insight: Navigating the watch-worry-wait summer

5 December 2023

Contact

Sharon Zollner or Miles Workman for more details.

Confused by acronyms or jargon? See a glossary here.

Long time between drinks

- We've been warning since the RBNZ's pause back in May that a pause is not necessarily a peak, though we recently transferred another hike from our central forecast to the top of the risk basket. There are good reasons for the RBNZ to be worried and impatient, but also solid signs of progress in the inflation battle. Weighing it up, the RBNZ's November MPS signalled a low bar to further hikes, with the Committee's OCR track implying a hike in February is pretty much a coin toss.
- The RBNZ explicitly warned that any more delays to getting inflation down would likely result in a rate hike. With that warning ringing in our ears, in this note we discuss the data flow in the long break between now and the February Monetary Policy Statement, highlighting the possible hurdles and nuances around the coming data with respect to a possible hike in February, or at least keeping the prospect of hikes alive.
- As we've noted before, the RBNZ seems unlikely to kickstart the hiking machine again for the sake of just 25bp, as if that's all that's perceived to be needed, then just holding a little longer is a perfectly good substitute. Unless the facts change (always a live possibility!), if the RBNZ does hike in February (or after that), chances are they'll go again.
- What are the odds that hiking again would be a 'mistake'? in the narrow sense of CPI inflation undershooting 2% due to a bit more hiking – one would have to say "remote". But insofar as it might result in the RBNZ cutting earlier due to a harder landing than anticipated (or strictly necessary): could well be. But the RBNZ may well consider that an acceptable risk to take, given the known real costs of not getting on top of inflation in a timely manner.

Introduction

"If inflation pressures were to be stronger than anticipated, the OCR would likely need to increase further" (RBNZ November MPS).

The RBNZ delivered an unambiguously hawkish Monetary Policy Statement (MPS) in November, signalling that they see a hefty chance they'll need to hike the OCR again due to disappointingly slow progress in bringing inflation down.

Part of November's hawkish signalling may be strategy: jaw-boning the market to prevent cuts being priced in earlier than desired by the RBNZ (easing monetary conditions in the process). But there also appears to be genuine concern that the bulk of the transmission of monetary policy has already washed over the economy, and that it hasn't diluted core inflation pressures and inflation expectations as much as hoped.

Regardless of their reasons, the RBNZ has drawn a line in the sand, and now it's up to the data flow to decide if the OCR is going higher as early as February next year. Indeed, at face value, the peak in the forecast OCR track of 5.69% suggests the onus is now on the data to provide reasons *not* to hike. We don't actually think the burden of proof lies there, but the hurdle to hike again is clearly lower than was generally appreciated.

And it's important to note that an upward surprise doesn't necessarily mean a reacceleration in activity and inflation; the data could provide a green light to hikes by simply not moving fast enough along its deflationary trajectory. The RBNZ appears to be getting impatient, and very reasonably concerned about the risk that progress could stall.

In this note we discuss the RBNZ's near-term forecasts and the nuance around them that could determine if the RBNZ's signal for Q1 (February MPS) lands on heads or tails. With three months between now and then, whatever your favourite indicator is, chance is, it's coming out.

Key economic releases between now and 28 February

14 December: Q3 GDP

The November MPS forecast is +0.3% q/q. We are also at +0.3%, but will firm our estimate up after all the partials are in, the last of which are out this Friday, 8 December.

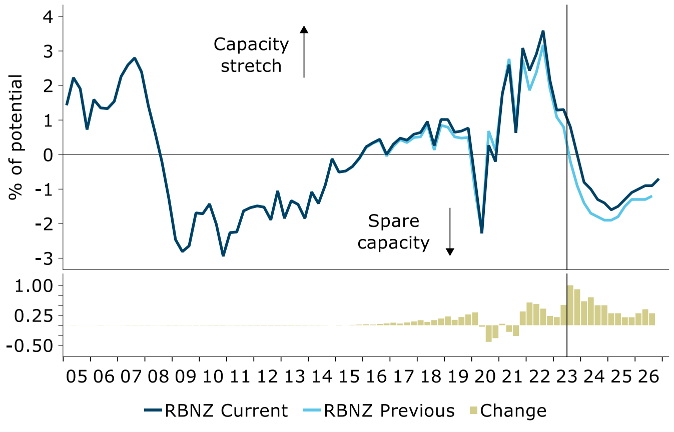
The RBNZ certainly appeared to take an inflationary view of Q2's surprisingly strong GDP read of 0.9% q/q for production GDP and 1.3% for expenditure – the latter including some stronger-than-anticipated consumer spending, particularly durables consumption, which lifted 3.3% q/q. We attributed a decent share of that to the rebound from Cyclone Gabrielle, but it's not clear that's how the RBNZ saw it. Whatever they think drove it, the RBNZ has pencilled in a 0.9% q/q contraction in private consumption for Q3, so it's a relatively low bar for a positive surprise.

So now we wait for the Q3 GDP release to provide a clearer signal of whether the Q2 consumer spending was temporary cyclone impacts or indeed stronger momentum. But it'll be messy due to lingering uncertainty around seasonal patterns and the annual benchmarking revisions party.

At the end of the day, GDP only matters for inflationary pressures insofar as how it's traveling relative to the economy's speed limit (aka potential GDP). On that front, it was interesting to see that the RBNZ's put a lot less of Q2's strong growth into potential than we would have thought, given the strong growth in the labour supply. This saw them revise up their estimate of the output gap (and thus medium-term inflation pressure) substantially (figure 1). Indeed, the nuance around splitting demand and supply-side drivers means it would be far too simplistic to conclude that "Q3 GDP stronger than X implies they'll definitely be hiking". The details will matter. But a decent positive surprise on private consumption might well mean game on.

Upshot: watch capacity indicators and the mix of growth, not just headline growth indicators.

Figure 1. RBNZ output gap estimate revision



Source: RBNZ, Macrobond, ANZ Research

20 December: The Half-Year Economic and Fiscal Update

The potential inflationary impacts of the relatively small (compared to recent Updates) bump in Government spending (capex in particular) signalled in the Pre-election Update got a lot of airtime in the November MPS. Not more than it deserved, but certainly a lot more than previous much larger increases to Government spending (eg Budget 2023 and earlier) got. Whatever the reason for that, it does highlight that it will certainly be helpful for the Committee if fiscal policy is better coordinated with monetary policy under the new Government.

The big question for the RBNZ: will the new Government's policy mix result in a larger or smaller aggregate demand impulse than previously thought? The problem is, if the RBNZ relies on the Treasury's Half-Year Update to inform that view, they may end up jumping the gun. That's because the Treasury has a very short timeframe between Ministers being sworn in and the likely finalisation date of the Half-Year Update forecasts. For that reason, we (and the RBNZ) should probably think about the Half-Year Update as a first pass at capturing the new policy direction, as opposed to the final word on it.

Perhaps the only significant piece of information for the RBNZ in the Half-Year Update will be the implications for fiscal settings over the next six months or so (ie the remainder of the current fiscal year), which we expect to be relatively small. The rest should probably be taken with a grain of salt, as by the time Budget 2024 rolls around in May, there could be some meaningful changes made to the Treasury's outlook.

Our working assumption is that the net impact of Government policy changes (eg tax and spending cuts) will be broadly neutral for aggregate demand, and that the risk going forward (ie beyond the Half-Year Update) is that spending cuts end up deeper than signalled. We suspect and hope that the new Government will adopt a stricter fiscal strategy (due by 31 March) and that it'll be only under exceptional circumstances that the forecast return to OBEGAL surplus is delayed beyond the currently projected 2026/27 fiscal year. Seven years in deficit (one more than following the GFC) is too many for the economic conditions. Sovereign credit ratings agencies are watching.

In sum, it would be risky for the RBNZ to hike in February purely because the Half-Year Update suggested fiscal settings were going to be a little more stimulatory than previously thought, as they may be faced with meaningful revisions to those hasty estimates in May's Budget.

25 December: Christmas. Cool your jet skis. You've been warned.

16 January: Q4 Quarterly Survey of Business Opinion (QSBO)

Capacity indicators in the Q3 QSBO generally went the right way for the RBNZ: labour as limiting factor continued to ease and capacity utilisation was subdued (which NZIER put down to "large firms' ability to increase output without incurring an increase in unit costs"). Pricing and cost indicators fell.

But it isn't the direction of capacity measures that's worrying the RBNZ, it's the pace. That will make interpreting the QSBO all the more difficult, because how fast is fast enough is ultimately a question of judgement.

As noted on page 2, in the November MPS, the RBNZ revised their output gap higher. While the QSBO release will give the Committee some data to calibrate that view, we're cognisant that the November MPS near-term output gap assumption appeared to put more weight on strong recent GDP data than the recent evolution of some key capacity indicators.

Figure 2. QSBO capacity indicators: limiting factors

Source: NZIER, Macrobond, ANZ Research

24 January: Q4 CPI

The RBNZ has pencilled in a 0.8% q/q increase in headline inflation in Q4 (ANZ: 0.6% q/q). An upward surprise that pushes out the forecast return of inflation to target any further could of course prove the catalyst for a February hike – we've had fair warning on that score! But as always, the details will matter. The RBNZ's Q4 CPI forecast consists of a 0.9% q/q rise in non-tradables inflation (ANZ: 0.9%), and a 0.7% q/q lift in tradables (ANZ: 0.2%). Tradables inflation comes and goes pretty quickly; any upside miss on non-tradables inflation would be the much bigger worry for the RBNZ (as would stubbornly-high core inflation), as this kind of inflation tends to be sticky.

It's also worth recalling that the RBNZ's forward-looking focus means anything that changes the inflation outlook could matter just as much as any starting point surprise. Indeed, it is entirely possible that CPI comes in precisely as the RBNZ expect in Q4 (or even a little weaker) and they still feel a need to hike in February, if the medium-term inflation outlook has worsened. A stronger activity impulse (perhaps driven by a reacceleration in housing), a tighter labour market than expected (including stronger wage growth, which is a major source of non-tradables inflation), or a failure for capacity pressures to decline as fast as hoped are all potential catalysts.

7 February: Q4 Labour market

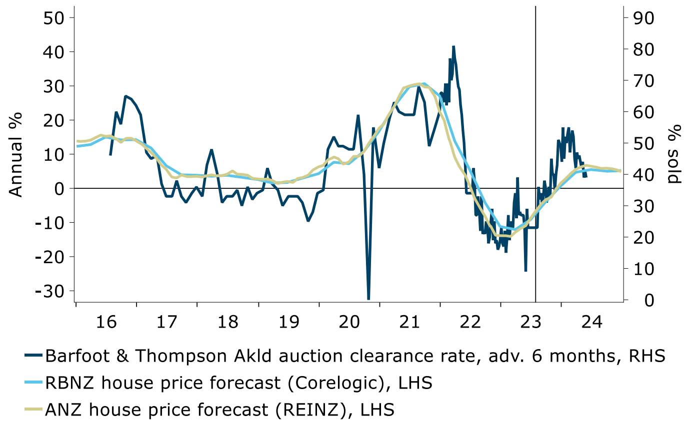
The RBNZ revised its unemployment rate forecast lower to 4.2% in Q4 (ANZ: 4.3%), on an upgrade to employment growth of 0.2% q/q (ANZ: -0.2% q/q). We think that inflationary impacts in the labour market have largely run their course, but it's worth noting that the RBNZ continued to categorise the labour market as above maximum sustainable employment (MSE) at the November MPS.

The RBNZ will want to see the labour market on the other side of MSE sooner rather than later. They need to see further evidence of softening labour demand, and continued easing across capacity measures such as underemployment and underutilisation, to feel confident wage growth will continue to moderate. Any material upside to employment or wage growth would likely put the RBNZ on alert, though that will need to be weighed against the fact that wages lag the rest of the economy significantly – and there's also potentially some extra labour data volatility stemming from the roughly 20k temporary workers involved in the General Election. This may or may not show up in the HLFS.

Housing (multiple releases; REINZ is around the middle of each month)

We and the RBNZ have similar near-term house price forecasts now that the RBNZ has revised its numbers up. Fair to say, the housing outlook is uncertain at the best of times, but following the recent change in Government that is particularly true. The house price cycle turned a corner around May this year, but more recently the market has run out of puff a bit (figure 3).

Figure 3. House price inflation forecasts and Barfoot & Thompson auction clearance rate



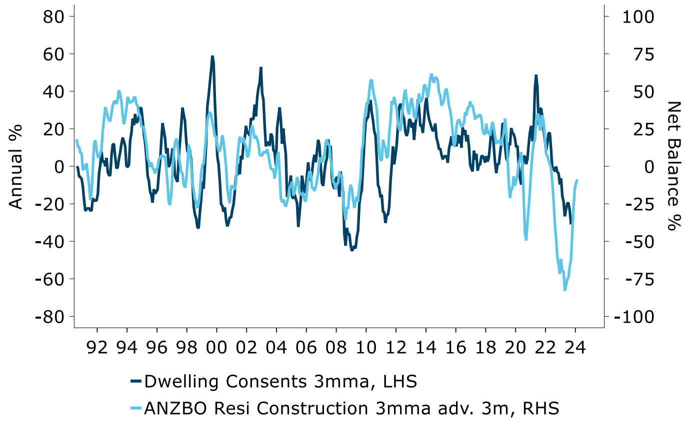
Source: Corelogic, REINZ, B&T, interest.co.nz, Macrobond, ANZ Research

So was the boost due to policy changes foreseen and thus done and dusted? Or is the market poised for lift-off now that a more housing investment-friendly policy backdrop is confirmed? Come the February MPS, we should have a better handle on that, as we'll have housing data covering up until January 2024 under our belts.

It's not just house prices that are a potential issue for the inflation outlook. The November MPS discussed risks around the outlook for rents more than once, given the upward revision to population growth. Rents have a weight of around 9.5% in the CPI. Because rents typically only change at most once a year, it's a slow-burn story. But while it might take a while to make a meaningful difference to inflation, it'll also take a long time to stop contributing, and insofar as the RBNZ is deeply concerned about persistence in inflation, that's potentially a problem.

And as for housing construction, that is a double-edged sword for the RBNZ. On the one hand, they're relying on a sharp slowdown in residential construction to cool construction costs, which dominate the housing component in the CPI. On the other hand, with the population growing so quickly, the worse the housing shortages, the more upward pressure there will be on house prices and rents. There's no easy fix, then. But it's worth noting that while the RBNZ is forecasting a massive hole in residential construction over 2024/25, there are early signs of green shoots that suggest that consents could be about to find a floor (figure 4, over).

Figure 4. ANZBO builders' residential construction expectations and dwelling consents



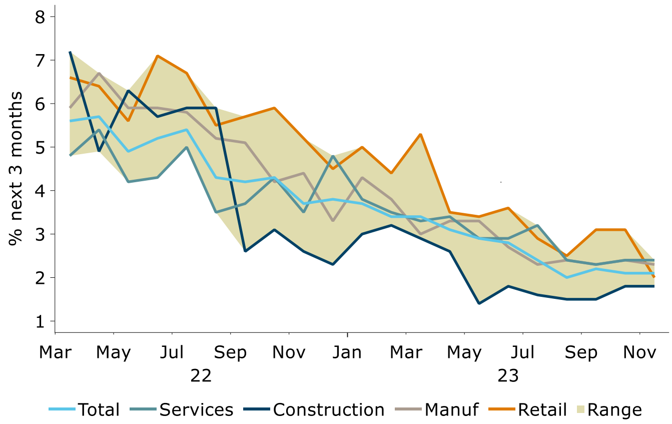
Source: Stats NZ, Macrobond, ANZ Research

Other higher-frequency data and developments:

High frequency indicators such as the Business Outlook Survey, consumer confidence, the Truckometer, PMIs, monthly inflation data, net migration, card spending, monthly employment indicators, commodity prices, monthly trade data, credit data, interest rate and FX market developments, and regulatory policy and other Government-related surprises, will all be key for weighing up how the economy is tracking too.

We won't attempt to go through them all here; we'll just do a little shout-out for a relatively new indicator out of our Business Outlook survey. We now ask for numerical pricing intentions over the next three months by sector – and there's been a bit of a flattening out in recent months, particularly in construction sector prices.

Figure 5. ANZBO numerical pricing intentions



Source: Macrobond, ANZ Research

Inflation expectations are also worth a good sniff, given the RBNZ expressed concern that they were "still elevated", and that "expectations for inflation five and ten years ahead have edged higher in recent data, posing some upside risk to the inflation outlook." While these longer-term expectations are still close to the target midpoint, any divergence from 2% is an affront. The next RBNZ expectations survey that contains these longer-term expectations is due on 13 February 2024.

Global data/exchange rate

The outlook for China and New Zealand's commodity prices is always relevant for the outlook, and the exchange rate matters too. But we would note that if the RBNZ decides the domestic economy is more inflationary than it thought, it would take a lot for these variables to move the dial.

Putting it all together

There is no one piece of data here that shouts "likely game changer" for the RBNZ, as it all matters when it comes to assessing the impact monetary tightening has had so far, and how that impact is evolving. And there are none where we look at the data and conclude a big surprise is likelier than not. Non-tradable inflation and unemployment are key data points, for example, but our forecasts are much the same as the RBNZ's.

And then of course there are the unobservables too – both how the RBNZ apportions any activity surprises to the demand or supply side of the economy, and assumptions regarding the neutral OCR. Watch 5y5y market pricing on the latter, as that's the input to the RBNZ's estimation suite that drove upward revisions to the long-run neutral OCR estimate, and thus the OCR track (though not 1:1) in both August and November.

Figure 6. NZ 5y5y swap pricing

Source: Bloomberg, Macrobond, ANZ Research

And finally, some data we will be watching particularly closely, insofar as we have a slightly different view from the RBNZ about how it is likely to evolve:

Capacity indicators: It's worth keeping an eye on all the RBNZ's labour market capacity indicators as described in our recent Insight note. We and the RBNZ agree that labour market pressures are waning rapidly; we just think the process is a little further along than the RBNZ does.

The housing market: While our forecasts are fairly similar to the RBNZ's, it is notable that we just revised our forecast down, while the RBNZ revised theirs up. While there are risks on both sides of our housing market outlook, we think the skew is slightly to the downside.

All up, it's very unlikely that there will be anything other than a mix of unders and overs by the time the RBNZ comes to reassess the inflation outlook in February, and judgment will play a role again. Our current judgment (which is also subject to change!) is that the RBNZ did jawbone the market just a touch, as demonstrated by the fact that we see less of a downturn in some segments of domestic demand such as residential construction, but don't yet view the odds of a hike as having risen back over 50%. But at the end of the day, the more the market ignores the RBNZ's warning that it may have to hike again, the easier monetary conditions are likely to become (as cuts get priced in and wholesale rates fall), and the more likely it is that a hike will actually be judged to be required.

Contact us

Meet the team

We welcome your questions and feedback. Click here for more information about our team.

Sharon Zollner
Chief Economist

Follow Sharon on Twitter
@sharon_zollner

Telephone: +64 9 357 4094
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
@ANZ_Research (global)

David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com

Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com

Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, economic developments, GDP and activity dynamics, fiscal and monetary policy.

Telephone: +64 21 661 792
Email: miles.workman@anz.com

Henry Russell
Economist

Macroeconomic forecasting, economic developments, labour market dynamics, inflation and monetary policy.

Telephone: +64 21 629 553
Email: henry.russell@anz.com

Andre Castaing
Economist

Macroeconomic forecasting, economic developments, housing and monetary policy.

Telephone: +64 21 199 8718
Email: andre.castaing@anz.com

Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com

Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com

Important notice

Last updated: 18 April 2023

The opinions and research contained in this document (which may be in the form of text, image, video or audio) are (a) not personal financial advice nor financial advice about any product or service; (b) provided for information only; and (c) intended to be general in nature and do not take into account your financial situation or goals.

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared by ANZ Bank New Zealand Limited (ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand). This document is distributed in your country/region by Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**), a company incorporated in Australia or (if otherwise stated), by its subsidiary or branch (herein collectively referred to as **ANZ Group**). The views expressed in this document are those of ANZ Economics and Markets Research, an independent research team of ANZ Bank New Zealand Limited.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing contained within is intended to be an invitation, solicitation or offer by ANZ Group to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ Group would be subject to additional licensing or registration requirements. Further, any products and services mentioned in this document may not be available in all countries.

ANZ Group in no way provides any personal financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate, ANZ Group does not represent or warrant the accuracy or completeness of the information, except with respect to information concerning ANZ Group. Further, ANZ Group does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ Group does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. Any products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ Group expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (**Liability**) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ Group may have an interest in the subject matter of this document. They may receive fees from customers for dealing in any products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in any products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products.

This document is published in accordance with ANZ Group's policies on conflicts of interest and ANZ Group maintains appropriate information barriers to control the flow of information between businesses within the group.

Your ANZ Group point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please click here or request from your ANZ point of contact.

Brazil. This document is distributed on a cross border basis and only following request by the recipient. No securities are being offered or sold in Brazil under this document, and no securities have been and will not be registered with the Securities Commission - CVM.

Brunei, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

Cambodia. The information contained in this document is confidential and is provided solely for your use upon your request.

This does not constitute or form part of an offer or solicitation of any offer to engage services, nor should it or any part of it form the basis of, or be relied in any connection with, any contract or commitment whatsoever. ANZ does not have a licence to undertake banking operations or securities business or similar business, in Cambodia. By requesting financial services from ANZ, you agree, represent and warrant that you are engaging our services wholly outside of Cambodia and subject to the laws of the contract governing the terms of our engagement.

Canada. This document is general information only, is intended for institutional use only – not retail, and is not meant to be tailored to the needs and circumstances of any recipient. In addition, this document is not intended to be an offer or solicitation to purchase or sell any security or other financial instrument or to employ a specific investment strategy.

Chile. You understand and agree that ANZ is not regulated by Chilean Authorities and that the provision of this document is not subject to any Chilean supervision and is not guaranteed by any regulatory or governmental agency in Chile.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice.

Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This document is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Israel. ANZ is not a holder of a licence granted in Israel pursuant to the Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 1995 ("Investment Advice Law") and does not hold the insurance coverage required of a licensee pursuant to the Investment Advice Law. This publication has been prepared exclusively for Qualified Clients as such term is defined in the First Schedule to the Investment Advice Law. As a prerequisite to the receipt of a copy of this publication a recipient will be required to provide confirmation and evidence that it is a Qualified Client. Nothing in this publication should be considered Investment Advice or Investment Marketing as defined in the Investment Advice Law. Recipients are encouraged to seek competent investment advice from a locally licensed investment adviser prior to making any investment.

Macau. Click here to read the disclaimer for all jurisdictions in Mandarin. **澳门.** 点击此处阅读所有司法管辖区的免责声明的中文版。

Myanmar. This document is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This document is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

Important notice

New Zealand. This document is distributed in New Zealand by ANZ Bank New Zealand Limited. The material is for information purposes only and is not financial advice about any product or service. We recommend you seek advice about your financial situation and goals before acquiring or disposing of (or not acquiring or disposing of) a financial product.

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman (**CBO**) or Oman's Capital Market Authority (**CMA**). The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. So, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Peru. The information contained in this document has not been, and will not be, registered with or approved by the Peruvian Superintendency of the Securities Market (Superintendencia del Mercado de Valores, **SMV**) or the Lima Stock Exchange (Bolsa de Valores de Lima, **BVL**) or under the Peruvian Securities Market Law (Legislative Decree 6 861), and will not be subject to Peruvian laws applicable to public offerings in Peru. To the extent this information refers to any securities or interests, it should be noted the securities or interests may not be offered or sold in Peru, except if (i) such securities or interests were previously registered with the Peruvian Superintendency of the Securities Market, or (ii) such offering is considered a private offering in Peru under the securities laws and regulation of Peru.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or
- authorised or licensed for distribution in Qatar, and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC.

The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. To the extent that this document contains any statements of opinion and/or recommendations related to an investment product or class of investment product (as defined in the Financial Advisers Act 2001), this document is distributed in Singapore by ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act 2001 of Singapore). ANZ is licensed in Singapore under the Banking Act 1970 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act 2001 of Singapore. In respect of any matters arising from, or in connection with, the distribution of this document in Singapore, please speak to your usual ANZ contact in Singapore.

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (**DIFC**) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (**DIFCML**) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules.

United Kingdom. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited (**ANZ**) solely for the information of persons who would come within the Financial Conduct Authority (**FCA**) definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA.
ANZ considers this document to constitute an Acceptable Minor Non-Monetary Benefits (**AMNMB**) under the relevant inducement rules of the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

United States. Except where this is a FX-related document, this document is distributed in the United States by ANZ Securities, Inc. (**ANZ SI**) which is a member of the Financial Regulatory Authority (**FINRA**) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use our website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use our website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is a FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.